

AMENDED IN ASSEMBLY JANUARY 3, 2000

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

ASSEMBLY BILL

No. 1190

Introduced by Assembly Member Honda

February 26, 1999

An act to amend Sections ~~101, 5000, 5030, and 5133~~ 149, 5062, and 22258 of the Business and Professions Code, relating to accountancy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1190, as amended, Honda. Accountancy.

Existing law provides for a California Board of Accountancy in the Department of Consumer Affairs for the purpose of licensing and regulating the practice of accountants in California.

Existing law also provides that an accountant licensed by the board is required to issue a report, conforming to professional standards, upon completion of a compilation, review, or audit of financial statements.

This bill would require an accountant to indicate, in his or her report, a lack of independence with respect to the issuance of a client's compilation report and would prohibit the publication of the reason for the lack of independence.

This bill would provide that accountants who provide services under specified circumstances shall not be deemed to lack independence and would also make technical conforming changes to various provisions that incorrectly

make reference to the California Board of Accountancy under its prior name.

~~Existing law provides for a State Board of Accountancy in the Department of Consumer Affairs.~~

~~This bill would change the name of the board to the California Board of Accountancy. It would also make technical changes.~~

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

1 ~~SECTION 1. Section 101 of the Business and~~

2 *SECTION 1. Section 149 of the Business and*
3 *Professions Code is amended to read:*

4 149. (a) If, upon investigation, an agency designated
5 in subdivision (e) has probable cause to believe that a
6 person is advertising in a telephone directory with
7 respect to the offering or performance of services,
8 without being properly licensed by or registered with the
9 agency to offer or perform those services, the agency may
10 issue a citation under Section 148 containing an order of
11 correction that requires the violator to do both of the
12 following:

13 (1) Cease the unlawful advertising.

14 (2) Notify the telephone company furnishing services
15 to the violator to disconnect the telephone service
16 furnished to any telephone number contained in the
17 unlawful advertising.

18 (b) This action is stayed if the person to whom a
19 citation is issued under subdivision (a) notifies the agency
20 in writing that he or she intends to contest the citation.
21 The agency shall afford an opportunity for a hearing, as
22 specified in Section 125.9.

23 (c) If the person to whom a citation and order of
24 correction is issued under subdivision (a) fails to comply
25 with the order of correction after that order is final, the
26 agency shall inform the Public Utilities Commission of the
27 violation and the Public Utilities Commission shall
28 require the telephone corporation furnishing services to

1 that person to disconnect the telephone service furnished
2 to any telephone number contained in the unlawful
3 advertising.

4 (d) The good faith compliance by a telephone
5 corporation with an order of the Public Utilities
6 Commission to terminate service issued pursuant to this
7 section shall constitute a complete defense to any civil or
8 criminal action brought against the telephone
9 corporation arising from the termination of service.

10 (e) Subdivision (a) shall apply to the following boards,
11 bureaus, committees, commissions, or programs:

12 (1) The State Board of Barbering and Cosmetology.

13 (2) The State Board of Funeral Directors and
14 Embalmers.

15 (3) The Veterinary Medical Board.

16 (4) The Hearing Aid Dispensers Examining
17 Committee.

18 (5) The State Board of Landscape Architects.

19 (6) The California Board of Podiatric Medicine.

20 (7) The Respiratory Care Board of California.

21 (8) The Bureau of Home Furnishings and Thermal
22 Insulation.

23 (9) The Bureau of Security and Investigative Services.

24 (10) The Bureau of Electronic and Appliance Repair.

25 (11) The Bureau of Automotive Repair.

26 (12) The Tax Preparers Program.

27 (13) The California Board of Architectural Examiners.

28 (14) The Speech-Language Pathology and Audiology
29 Examining Committee.

30 (15) The Board for Professional Engineers and Land
31 Surveyors.

32 (16) The Board of Behavioral Science Examiners.

33 (17) The State Board of Registration for Geologists and
34 Geophysicists.

35 (18) The Structural Pest Control Board.

36 (19) The Acupuncture Examining Committee.

37 (20) The Board of Psychology.

38 (21) The ~~State~~ California Board of Accountancy.

39 *SEC. 2. Section 5062 of the Business and Professions*
40 *Code is amended to read:*

1 5062. (a) A licensee shall issue a report which
2 conforms to professional standards upon completion of a
3 compilation, review, or audit of financial statements.

4 (b) A licensee, who is not independent with respect to
5 a client as to a compilation report upon the client's
6 financial statements, shall modify his or her report,
7 accordingly, stating the lack of independence.

8 (c) A licensee shall not state, in his or her compilation
9 report, or in any attachment to the financial statements,
10 the reason for the lack of independence. A licensee may
11 provide a letter or other written explanation that states
12 the reason for the lack of independence to the client or
13 a third-party reader of the client's financial statements.

14 (d) A licensee who provides transactional recording or
15 other similar accounting services to a client pursuant to
16 subdivision (e) of Section 5051 and who exercises
17 professional judgment as to the recording of the
18 transactions shall not be deemed to lack independence
19 solely by the factual circumstance of providing those
20 public accounting services to clients.

21 SEC. 3. Section 22258 of the Business and Professions
22 Code is amended to read:

23 22258. The following persons are exempt from the
24 requirements of this title:

25 (a) A person with a current and valid license issued by
26 the ~~State~~ California Board of Accountancy and his or her
27 employees while functioning within the scope of their
28 employment.

29 (b) A person who is an active member of the State Bar
30 of California and his or her employees while functioning
31 within the scope of their employment.

32 (c) An employee of any trust company or trust
33 business as defined in Chapter 1 (commencing with
34 Section 99) of Division 1 of the Financial Code while
35 functioning within the scope of his or her employment.

36 (d) A financial institution regulated by the state or
37 federal government, and employees thereof, insofar as
38 the activities of the employees are related to their
39 employment and the activities of the financial institution

1 with respect to tax preparation are subject to federal or
2 state examination or oversight.

3 (e) A person who is enrolled to practice before the
4 Internal Revenue Service pursuant to Subpart A
5 (commencing with Section 10.1) of Part 10 of Title 31 of
6 the Code of Federal Regulations, and his or her
7 employees while functioning within the scope of his or
8 her employment.

9 ~~Professions Code is amended to read:~~

10 ~~101. The department is comprised of:~~

11 ~~(a) The Board of Dental Examiners of California.~~

12 ~~(b) The Medical Board of California.~~

13 ~~(c) The State Board of Optometry.~~

14 ~~(d) The California State Board of Pharmacy.~~

15 ~~(e) The Veterinary Medical Board.~~

16 ~~(f) The California Board of Accountancy.~~

17 ~~(g) The California State Board of Architectural~~
18 ~~Examiners.~~

19 ~~(h) The State Board of Barbering and Cosmetology.~~

20 ~~(i) The Board for Professional Engineers and Land~~
21 ~~Surveyors.~~

22 ~~(j) The Contractors' State License Board.~~

23 ~~(k) The State Board of Funeral Directors and~~
24 ~~Embalmers.~~

25 ~~(l) The Structural Pest Control Board.~~

26 ~~(m) The Bureau of Home Furnishings and Thermal~~
27 ~~Insulation.~~

28 ~~(n) The Board of Registered Nursing.~~

29 ~~(o) The Board of Behavioral Science Examiners.~~

30 ~~(p) The State Athletic Commission.~~

31 ~~(q) The Cemetery Board.~~

32 ~~(r) The State Board of Guide Dogs for the Blind.~~

33 ~~(s) The Bureau of Security and Investigative Services.~~

34 ~~(t) The Court Reporters Board of California.~~

35 ~~(u) The Board of Vocational Nursing and Psychiatric~~
36 ~~Technicians.~~

37 ~~(v) The California State Board of Landscape~~
38 ~~Architects.~~

39 ~~(w) The Bureau of Electronic and Appliance Repair.~~

40 ~~(x) The Division of Investigation.~~

1 ~~(y) The Bureau of Automotive Repair.~~
2 ~~(z) The State Board of Registration for Geologists and~~
3 ~~Geophysicists.~~
4 ~~(aa) The State Board of Nursing Home~~
5 ~~Administrators.~~
6 ~~(ab) The Respiratory Care Examining Committee.~~
7 ~~(ac) The Acupuncture Examining Committee.~~
8 ~~(ad) The Board of Psychology.~~
9 ~~(ae) The California Board of Podiatric Medicine.~~
10 ~~(af) The Physical Therapy Board.~~
11 ~~(ag) The Arbitration Review Program.~~
12 ~~(ah) The Committee on Dental Auxiliaries.~~
13 ~~(ai) The Hearing Aid Dispensers Examining~~
14 ~~Committee.~~
15 ~~(aj) The Physician Assistant Examining Committee.~~
16 ~~(ak) The Speech-Language Pathology and Audiology~~
17 ~~Board.~~
18 ~~(al) The Tax Preparers Program.~~
19 ~~(am) Any other boards, offices, or officers subject to its~~
20 ~~jurisdiction by law.~~
21 ~~SEC. 2. Section 5000 of the Business and Professions~~
22 ~~Code is amended to read:~~
23 ~~5000. There is in the Department of Consumer Affairs~~
24 ~~the California Board of Accountancy, which consists of 10~~
25 ~~members, five of whom shall be certified public~~
26 ~~accountants, one of whom shall be a public accountant,~~
27 ~~and four of whom shall be public members who shall not~~
28 ~~be licentiates of the board or registered by the board. The~~
29 ~~board has the powers and duties conferred by this~~
30 ~~chapter.~~
31 ~~The Governor shall appoint two of the public members,~~
32 ~~the five certified public accountant members, and the~~
33 ~~public accountant member qualified as provided in this~~
34 ~~section. The Senate Rules Committee and the Speaker of~~
35 ~~the Assembly shall each appoint a public member. In~~
36 ~~appointing the five certified public accountant members,~~
37 ~~the Governor shall appoint members representing a cross~~
38 ~~section of the accounting profession with at least one~~
39 ~~member representing a small public accounting firm. For~~
40 ~~the purposes of this chapter, a small public accounting~~

1 ~~firm shall be defined as a professional firm that employs~~
2 ~~a total of no more than four certified public accountants~~
3 ~~as partners, owners, or full-time employees in the~~
4 ~~practice of public accountancy within the State of~~
5 ~~California.~~

6 ~~This section shall become operative on July 1, 1997, and~~
7 ~~shall become inoperative on July 1, 2001, and as of January~~
8 ~~1, 2002, is repealed, unless a later enacted statute, that~~
9 ~~becomes effective on or before January 1, 2002, deletes or~~
10 ~~extends the dates on which this section becomes~~
11 ~~inoperative and is repealed. The repeal of this section~~
12 ~~renders the board subject to the review required by~~
13 ~~Division 1.2 (commencing with Section 473).~~

14 ~~SEC. 3. Section 5030 of the Business and Professions~~
15 ~~Code is amended to read:~~

16 ~~5030. "Board" means the "California Board of~~
17 ~~Accountancy."~~

18 ~~SEC. 4. Section 5133 of the Business and Professions~~
19 ~~Code is amended to read:~~

20 ~~5133. All money in the Accountancy Fund is hereby~~
21 ~~appropriated to the California Board of Accountancy to~~
22 ~~carry out the provisions of this chapter. Each member of~~
23 ~~the board and each member of a committee shall receive~~
24 ~~a per diem and expenses as provided in Section 103.~~